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SENSITIVE  
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STATE FOR NEA/IPA, SEMEP AND EEB, NSC FOR KUMAR, OPIC FOR  
DRUMHELLER

E.O. 12958: DECL: 02/25/2020  
TAGS: [ECON](#) [EAID](#) [EINV](#) [PGOV](#) [KPAL](#) [IS](#)  
SUBJECT: CONSTRUCTION UNDERWAY ON ARAB-OWNED MALL IN  
DOWNTOWN EAST JERUSALEM

Classified By: CG Daniel Rubinstein for reasons 1.4b and d

¶1. (SBU) Summary: Construction is underway on a landmark Arab property in East Jerusalem. The building, originally intended to open as a hotel in 1967, is now scheduled to open with retail, commercial, and hotel space in January 2011. The Nuseibehs, a very prominent Jerusalem-Palestinian family, received a green light to recommence the project from the Municipality of Jerusalem in April 2009, after nine years of discussions with municipal officials. The Nuseibehs' self-financed renovation began in July, and is scheduled to be completed at the end of 2010. End summary.

A Plan That Began in 1967... and 1972... and 2000...  
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¶2. (SBU) Mohammed Nuseibeh, a successful East Jerusalem property developer, and his son Samer gave EconOff a tour on February 25 of a landmark property in the heart of East Jerusalem's commercial area. Nuseibeh said that he originally started building a hotel on Salahaddin Street, the "Main Street" of East Jerusalem, in 1966. The hotel was scheduled to open in December of 1967, but the 1967 war derailed the plan. In 1972, Nuseibeh decided to re-start construction and applied for the necessary permits, but was once again set back by the outbreak of the Yom Kippur war in ¶1973. In the late 1970s, Nuseibeh said, the cost of construction in downtown Jerusalem became prohibitive, and he turned his attention to building apartment complexes in the East Jerusalem suburb of Beit Hanina. For years, the property remained an unoccupied skeleton of a structure.

¶3. (SBU) In 2000, Nuseibeh decided to turn the property into retail and commercial space, and began discussions with the municipality. Nine years later, in April 2009, the municipality agreed to recognize Nuseibeh's original Jordanian construction permit, on the condition that Nuseibeh abide by current codes throughout the building. His self-financed renovations commenced in July 2009.

¶4. (SBU) The nine-floor building, called the "Addar Mall," is planned to have over 100 shops and 50 offices, ranging in size from 22 to 80 square meters each; a food court with an outdoor terrace; and a 23-room boutique hotel on the 8th floor. The higher floors will offer a 360-degree view of Jerusalem.

¶5. (C) Nuseibeh said the municipality has been extremely accommodating since the permit was approved, noting the

project was allowed to proceed even though the property does not have a regulation-size parking lot. (The building's underground lot has room for only 25 cars in a congested area where street parking is scarce.) Nuseibeh said, "Even the Israeli media says this project will completely change the face of Salahaddin Street." He noted that over the last 15 years, the building had become a hangout for drug users, as evidenced by the number of heroin needles found on the ground floor when the renovation began.

¶6. (C) Nuseibeh son, Samer, who serves as the project engineer as well as its marketing manager, said the project has received enthusiastic support from the local community. He claims to have signed lease agreements for nearly half of the space available. Some of the first to sign leases are lawyers, doctors, and engineers who have been working in their homes or shared spaces because of the lack of available office space in East Jerusalem. The building is expected to be ready for occupancy around the end of 2010, he said.

#### The (Non) Competition in the Neighborhood

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¶7. (C) The Nuseibehs also own East Jerusalem's Addar Hotel, across the street from the American Colony Hotel. Samer said Addar has an 80% occupancy rate, compared to the 20-30% that is typical for in East Jerusalem hotels. He noted that tourists are nervous about the security situation in East Jerusalem, and often cite concerns about "demolitions and demonstrations" as reasons for cancelling their reservations.

He confessed that he listed the hotel's address as "10 St. George's Street" rather than "58 Nablus Road" (the building

faces both streets) in promotional materials in order to present a more "positive" image.

¶8. (C) Nuseibeh said that the tourism sector in East Jerusalem has been stunted since 1967 by a lack of proper urban planning, the cost and availability of land, lack of access to finance for large-scale projects, and the municipal permit regime. He said that in 1967, there were around 800 hotel rooms in West Jerusalem and 1,500 in East Jerusalem. Today, he estimated, there are over 25,000 rooms in West Jerusalem and perhaps 700 functional rooms in East Jerusalem.

¶9. (C) Nuseibeh pointed to three high-rise hotels next to Addar, built by Israeli companies on land expropriated from Arab owners, and said that these three hotels alone -- the Olive Tree, the Leonardo (formerly the Novotel), and the Grand Court -- have over 1,200 rooms, nearly twice as many as the number of functional (and Arab-owned) hotel rooms in the rest of East Jerusalem.

RUBINSTEIN